

Guideline aims to strengthen SMEs

Measures include improving IPR protection and financing channels

By ZHANG YUE
zhangyue@chinadaily.com.cn

China recently rolled out new measures to improve the competitiveness of its small and medium-sized enterprises, or SMEs, by offering stronger intellectual rights protection and more financing channels.

Experts believe the measures are expected to help businesses realize their potential for innovation and boost their vitality, enabling them to better contribute to national high-quality development efforts.

On Nov 23, the State Council, China's Cabinet, issued a guideline on enhancing the competitiveness of SMEs. It included policies aimed at fostering growth, ranging from stronger credit support, diversified financing channels and strengthened intellectual property rights protection.

It also pledged to offer SMEs an environment that better supports innovation. More funding will be steered toward those developing specialized, sophisticated techniques and unique products to improve their ability to innovate and raise their level of professionalism.

The guideline also urged central government platforms to better support SMEs. In particular, the State manufacturing innovation center will play a larger role in bolstering SMEs and better protect them as they seek to market their products.

Economists said that industrial innovation is key as the Chinese government focuses on high-quality economic growth.

Tian Xuan, associate dean and a professor at Tsinghua University's PBC School of Finance, said that SMEs have been the primary driving force for innovation and national development.

"In recent years in particular, SMEs in China have entered a stage of robust growth. They have played a critical role in the country's supply side structural reform and industrial transition," he said.

"Meanwhile, they are also the key driving force in innovation. The strengthened ability to innovate will help SMEs transform the economy into a model of intensive growth."

Data released by the Ministry of Industry and Information Technology in November showed that there are 4,762 SMEs that have developed specialized, sophisticated techniques and unique products.

Money matters

For most of the country's smaller businesses, financing woes hinder expansion efforts.

Funding is critical to growth, but obtaining a conventional bank loan usually requires collateral in the form of assets, which most SMEs struggle to put together.

In addition, before going public, these companies lack adequate access to direct financing from the capital market. This makes financing a dilemma for SMEs, particularly those that are tech-intensive or are in great need of fresh liquidity to keep orders running.

"China's SMEs have long struggled with the issue of inaccessible and unaffordable financing, and there are two reasons for this. One is the limited avenues of financing available, and the other is that the country is still not doing well in terms of ownership neutrality," Tian said.



SHI YU / CHINA DAILY

“With more specific measures aimed at improving the multilayered capital market, the Beijing Stock Exchange will work to provide a number of services ... to address the need of SMEs to grow, and to unleash their potential.”

Tian Xuan, associate dean and a professor at Tsinghua University's PBC School of Finance

“When they rely on bank credit for liquidity, smaller businesses usually have to pay higher costs due to the higher risk and uncertain returns they represent, which inhibits corporate innovation. Because risk evaluation for smaller

businesses is lacking, banks favor State-owned enterprises.”

The newly issued guideline contains measures to tackle these issues.

In particular, it clarified that SMEs will receive more support when seeking direct financing.

The National Equities Exchange and Quotations, an over-the-counter financing platform for Chinese SMEs, will be reformed.

The Beijing Stock Exchange, China's newest bourse which started trading in mid-November, will assist SMEs by creating a playing field for nurturing growth.

“With more specific measures aimed at improving the multilayered capital market, the BSE will work to provide a number of services including listing financing, share transfer and refinancing options to address the need of SMEs to grow, and to unleash their potential,” Tian said.

In addition, policies supporting

investment will be improved to encourage smaller companies to innovate, with SMEs being encouraged to align with the capital market through mergers and acquisitions.

Wang Wanfa, chairman of Shandong Wantong Hydraulic, an SME specializing in the design and manufacture of hydraulic products that recently listed on the BSE, said that before going public, financing channels were limited and the company mainly relied on bank loans.

Over the past year, the manufacturing-intensive company faced numerous challenges, including rising commodity prices, sporadic cases of COVID-19 and diminished energy supplies. Since the third quarter, things have improved, as the company now enjoys tax deferral policies and reprieves from other fees as part of the government's efforts to help SMEs respond to recent challenges.

“Going forward, as a listed company, we expect a more relaxed lending policy from financial institutions and deepened reform in the secondary capital market,” Wang said.

Banks have already worked on certain measures to cope with SME financing woes.

For example, Ping An Bank has recently initiated a project in cooperation with a research body and tech firm to build financing platforms for smaller businesses and offer tech and financing solutions.

“A key fulcrum for our bank in supporting the real economy is backing the smaller business community,” said Xie Yonglin, chairman of Ping An.

He added that the bank has been developing its IoT platform to further empower enterprises with data support, help them get financing and step up their digital transformation.

Policy Digest

Authorities urged to ensure holiday supplies

The Ministry of Commerce recently held a teleconference with provincial-level commercial authorities, asking them to ensure the supply of goods and keep prices stable during the upcoming holidays, while keeping COVID-19 under control, ministry spokesman Gao Feng said.

The ministry has asked authorities to ensure markets and retailers diversify their offerings to meet consumers' needs, Gao said at a news conference on Thursday.

While adhering to control and prevention measures, authorities should also ensure that a certain number of markets, online retailers, food delivery and courier services are open for business as usual.

Besides instructing these businesses to secure stable transportation services and diversify their supply channels, the ministry also urged authorities to replenish the government's reserves of meat and vegetables to meet demand during the holiday seasons.

In another development, the National Development and Reform Commission and the National Food and Strategic Reserves Administration jointly issued a notice asking companies to guarantee supplies of grain and oil during the New Year and Spring Festival holidays as well as during the two-sessions political gathering next year.

Ministry to curb risk of virus amid travel rush

The Ministry of Transport will work to ensure that COVID-19 doesn't spread during the upcoming Spring Festival travel rush, a ministry official said on Friday.

The travel period will last for 40 days — from Jan 17 to Feb 25 — Cai Tuanjie, director of the ministry's department of transport service, said at a news conference.

Estimates show that passenger volume during the travel rush will be double what it was during the same period in 2020.

Transportation authorities expect to face challenges as they strive to maintain epidemic control and prevention measures while ensuring smooth traffic and adequate transportation during the rush, which coincides with the 2022 Beijing Winter Olympics and the annual two sessions meeting.

To address these challenges, the ministry will instruct transportation companies to check health codes, increase the number of entrances to stations, restrict the number of passengers and sterilize and ventilate vehicles, Cai said.

The ministry will also instruct operators to boost epidemic control and prevention efforts and to avoid importing COVID-19 cases via land and water ports.

It will urge local authorities to strengthen monitoring of traffic during peak travel times and on roads that are susceptible to bad weather or prone to accidents, and to issue traffic reports so people can travel in an orderly manner.

Cai added that the ministry also will encourage local authorities to increase capacity at places such as transport hubs and tourist attractions to better coordinate services with railways and airlines and curb the stranding of large numbers of passengers, among other measures.

WANG QINGYUN

Small businesses welcome government efforts to help resolve funding problems

By ZHANG YUE

Small and medium-sized businesses have welcomed the State Council's recent guideline aimed at helping them better focus on boosting development and improving their competitive edge.

Since the COVID-19 pandemic began, SMEs have faced numerous growth challenges due to evolving market demand both at home and abroad. However, policy support from the central government, particularly as the country focuses on high-quality economic growth, has encouraged many to further develop their businesses.

Gong Wenxu, a financial officer at Sinocat Environmental Technology in Sichuan's provincial capital Chengdu, said that he can sympathize with how financing hurdles can hinder a small company's growth.

Sinocat Environmental Technology, which focuses on producing catalysts for post-emission treatment

and hydrogen fuel cells, was listed on the science and technology innovation board, or the STAR Market, this year and now has relatively smooth access to funding.

Previously, inadequate financing was a major problem and kept the company from expanding.

Gong said he is excited about the ways the new guideline can help smaller businesses with this issue.

“In 2017, when air quality protection was a major focus, the number of orders we received was on the

rise,” Gong explained. “That should have been great for business, but as orders kept coming in, we had to pay our raw materials supplier before we could access accounts receivables. This created a liquidity gap for the company. It was so notable that we had to turn half our orders down to ensure that the rest could be filled.”

Focused on manufacturing-based environmental protection, the company has thrived since going public this year, with national carbon

emissions peak and neutrality goals also playing a role. But as it grows, it will need to invest an increasing proportion of revenue into R&D and innovation.

“Investment in tech innovation will surely use up a certain amount of liquidity, but it is also something required by our long-term development goals,” Gong said. “With the new guideline encouraging state platforms to help SMEs innovate, they will have more chances to learn from their peers.”

Zhou Yan, chief financial officer for Wanka Online, a technology company in the mobile internet market in Beijing, said access to more diversified channels will better enable SMEs to innovate.

Zhou said her company will need to make a significant effort to help investors understand and believe in its ideas. “Innovation surely uses up liquidity, but it greatly contributes to our long-term goal, as a sharp competitive edge requires strong innovation,” she said.